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## **CROSSTEC Group Holdings Limited**

### **易緯集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3893)**

## **CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER**

Reference is made to the prospectus (the “**Prospectus**”) of CROSSTEC Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 August 2016 in relation to the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited and the interim report of the Company for the six months ended 31 December 2017 (the “**2018 Interim Report**”) in relation to the updates regarding use of proceeds. Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Prospectus.

### **USE OF PROCEEDS**

As disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus, the Company intended to apply, among others, approximately 17% of the net proceeds from the Share Offer for financing the establishment of research and development (“**R&D**”) center in Hong Kong (the “**Intended Use**”). Based on the Offer Price of HK\$0.15 per Offer Share, the net proceeds from the Share Offer, after deducting the underwriting commissions and expenses in connection with the Share Offer, were approximately HK\$64.6 million. The net proceeds from the Share Offer allocated to the Intended Use amounted to approximately HK\$11.0 million. As disclosed in the paragraph headed “Use of Proceed from the Listing” in the section headed “Other Information” of the 2018 Interim Report, as of 31 December 2017, the Company had utilised approximately HK\$0.4 million of the net proceeds from the Share Offer for the Intended Use and approximately HK\$10.6 million remained unutilised as of 31 December 2017 (the “**Unutilised Net Proceeds**”).

### **CHANGE IN USE OF PROCEEDS**

For reasons set out in the paragraph headed “Reasons for the Change in Use of Proceeds” of this announcement, on 18 May 2018, the Board has resolved to change the use of proceeds and propose to apply the Unutilised Net Proceeds in the amount of approximately HK\$10.6 million for the purpose of financing the establishment of overseas R&D centers. Save for the aforesaid, there is no other changes in the use of remaining net proceeds from the Share Offer.

## **REASONS FOR THE CHANGE IN USE OF PROCEEDS**

The Group is committed to continue to devote its efforts to enhance its innovation and R&D capabilities in order to maintain its competitiveness and support long term growth. Since the Listing, the Company's R&D activities have continued to record satisfactory progress. The Group has established a R&D center in Hong Kong, which come into operation in February 2017, in order to explore the application of new painting materials with higher quality, and strengthen its re-engineering capability in its millwork and furniture provision and façade development to fit its clients' changing requirements. During the R&D process, the Group is realizing that (i) environmental protection standard in Europe and the US are more and more cautious; (ii) certain painting materials can only be found overseas; and (iii) it is difficult to acquire and recruit technical knowhow and qualified engineers in Hong Kong. As these limitations may hinder the enhancement of the Group's R&D capabilities, the Board decides to reduce the scale of planned development of the R&D center in Hong Kong and considers establishing overseas R&D centers so as to meet the objective described above. Having considered the above and reassessed the funding needs for the R&D activities in Hong Kong, the Board considers that the existing R&D team and equipment in Hong Kong are sufficient and in case there is any funding needs for this purpose in future, it will be financed by internally generated resources of the Group. In view of the above, the Board has resolved to reallocate the Unutilised Net Proceeds totaling of approximately HK\$10.6 million for the establishment of R&D center in Hong Kong to providing funding for the establishment of overseas R&D centers. The Group plans to utilise such proceeds to, amongst others, (i) acquire or lease overseas property as R&D center; (ii) recruit qualified engineers; and (iii) procure raw materials overseas for R&D purpose. The Board considers that such reallocation which will enable the Group (i) to be more time and cost effective in sourcing painting materials overseas; and (ii) to access to a much larger pool of skilled and qualified engineers. In addition, opening R&D centers in overseas gives the Group access not only to talent but also to innovation in the region. In the meantime, the Company is looking for a suitable location for the establishment of the overseas R&D centers. As at the date of this announcement, the Company has not identified any specified location.

The Board has considered the impact of the change in the use of proceeds on the Group's business and is of the view that the above reallocation is in line with the Group's business strategy to enhance the Group's innovation and R&D capabilities and will result in a more efficient use of the net proceeds from the Share Offer. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considers that the above change in use of proceeds is in the best interests of the Company and its Shareholders as a whole.

By Order of the Board  
**CROSSTEC Group Holdings Limited**  
**Lee Wai Sang**  
*Chairman and Chief Executive Officer*

Hong Kong, 18 May 2018

*As at the date of this announcement, the Board comprises Mr. Lee Wai Sang, Mr. Lau King Lok, Mr. Leung Pak Yin and Mr. Lai Hon Lam Carman as executive Directors; and Mr. So Chi Hang, Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin as independent non-executive Directors.*